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DEPT PASS FOR AID/ANE  
DEPT PASS USTR FOR DELANEY AND DEANGELIS  
DEPT PASS OPIC  
DEPT PASS FOR TDA FOR STEIN AND GREENIP  
USOECF FOR ENERGY ATTACHE  
CENTCOM FOR CSTC-A  
NSC FOR JWOOD  
TREASURY FOR MHIRSON, ABAUKOL, AWELLER, AND MNUGENT  
COMMERCE FOR DEES, CHOPPIN, AND FONOVICH

SENSITIVE  
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TAGS: [EINV](#) [EAID](#) [ECPS](#) [ELTN](#) [SENV](#) [PHSA](#) [ENRG](#) [ETRD](#) [AF](#) [CN](#)  
SUBJECT: Are the Chinese Reliable Partners for Afghan  
Reconstruction?

REF: BEIJING 722

11. (SBU) Summary and Introduction: In recent discussions with Emboffs, Afghan and Chinese officials and international partners in Kabul appear optimistic that the Chinese government and Chinese state-owned companies working in Afghanistan will fulfill important Chinese commitments to Afghan reconstruction. Chinese firms currently have contracts to install a fiber optic cable (USD 69 million project) through the Afghan government; to construct 150 kilometers of the Ring Road in the northwest with Asian Development Bank funding; to install generators for the Kajaki hydro power plant (USAID subcontract); and, in the largest foreign investment project in Afghanistan, to develop infrastructure for and eventually to exploit the Aynak copper mine (USD 3 billion investment project). The Chinese government also provides humanitarian and government capacity building assistance. At present, the Chinese are proceeding, though slowly, on nearly all of their infrastructure commitments, with the notable exception of Kajaki. International partners and Afghan business leaders are concerned about the quality of Chinese contractors' work. USAID reports extensive damage to USG-funded portions of the Ring Road by Chinese contract work on the fiber optic cable. Chinese officials say that China is a committed partner in Afghan reconstruction, but cite security and supply route concerns as major impediments to economic development work here. It remains to be seen if China will follow through on all of its commitments to Afghanistan given the current security environment. End Summary.

12. (SBU) In a March 18 meeting, Chinese Economic Counselor Hu Yuanteng told Econoff that the Chinese government is committed to Afghan reconstruction and economic development efforts, but emphasized that security problems are the main reason China is unable to undertake more reconstruction projects here. Hu noted that Chinese companies want to expand into the Afghan market and that, since 2003, the Chinese government has encouraged Chinese investment in Afghanistan. However, only six Chinese companies currently work in Afghanistan, and, Hu noted, of those six, two companies - China Hydro Power Engineering Company and China Railways - have stated that they will not start new projects due to security problems. In June 2008, Hu said insurgents kidnapped a Chinese road construction engineer in Wardak province. Hu said that China Railways' project to construct part of the Ring Road in Badghis and Faryab provinces in the northwest has suffered several roadside bombings and three Afghan subcontractors were kidnapped and one was shot dead in November 2008. Hu said that the Chinese government

will continue to encourage Afghan reconstruction projects among Chinese companies; however, the lack of security will remain an inhibiting factor in furthering Chinese engagement in economic development. Hu emphasized that the Chinese government has increased assistance in humanitarian and social sectors and for government capacity building training to USD 200 million.

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Aynak Copper Mine: Security  
Enduring Concern for China  
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13. (SBU) State-owned China Metallurgical Group Corporation (CMIC) is progressing slowly in the USD 3 billion Aynak copper mine project, the largest foreign investment project in Afghanistan. In a February 10 meeting, Chinese Deputy Chief of Mission Li Bijian told Emboffs that China remains committed to fulfilling all aspects of the Aynak contract, which include community development projects, a power plant, and a 150 km railroad from the Uzbek border via the mine to the Torkham border crossing point at the Khyber Pass. Li said that China welcomes the GIROA's deployment of 1,200 Afghan National Police (ANP) guards to secure the project area, but that China is concerned about future security since MCC plans to bring 5,000 Chinese engineers and workers to Aynak. Li thanked the U.S. for sending 1,300 troops to Logar province. Li also noted that MCC has suffered delays and even losses in shipping equipment through the Khyber Pass. He also said that MCC plans to work closely with the Czech PRT, which has been very cooperative, to determine community development needs.

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Kajaki Hydro Power Plant: Security

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Concerns Stalled Chinese Involvement  
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14. (SBU) In November 2008, Chinese subcontractor to the Louis Berger Group (LBG), China Machine-Building International Corporation (CMIC), left Afghanistan after receiving kidnapping threats. CMIC is to repair an existing turbine/generator and install a new one at Kajaki. Although LBG disputes the credibility of the threats, Chinese officials were insistent in meetings with Emboffs that the threats were credible. On February 10, Chinese DCM Li was evasive, describing Kajaki as a commercial dispute in which the Chinese government cannot intervene. To date, CMIC engineers have not returned to Afghanistan, and CMIC has not given LBG an estimated return date.

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Allegations of Destruction, Poor  
Chinese Workmanship in Roads and Telecom  
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15. (SBU) International partners, USAID, and Afghan business leaders criticize Chinese contractors for poor workmanship or slow progress, and in the case of the installation of the fiber optic cable (FOC), for destruction of existing road infrastructure. In a March 17 meeting with Econoff, Afghanistan Chamber of Commerce and Industry (ACCI) transport and freighting business leaders said that Chinese-constructed roads are among the lowest quality of all roads constructed in Afghanistan since reconstruction began in 2001 (septel). USAID estimates that since 2007, Chinese contractor ZTE has damaged 250 km of USAID-funded portions of the Ring Road (RR) while installing the fiber optic cable (FOC) for the Afghan government in southern Afghanistan. USAID estimates it will cost USD 2.4 million to repair the damage. In meetings with Emboffs, Chinese officials have denied knowledge of this damage, noting that ZTE uses an Afghan subcontractor because of security problems and that if there are damages, it is the fault of the Afghan subcontractor.

16. (SBU) Some international partners complain quietly that the Chinese use security concerns as a pretext to account for slow progress in some infrastructure projects and to shift blame to Afghan subcontractors. Asian Development Bank (ADB) officials told

Econoff on February 28 that, independent of the security problems in Badghis, the ADB is dissatisfied with their Chinese contractor's management of the project. ADB officials noted that only 20 percent of the road has been constructed, though the project was supposed to end in December 2008. ADB also complained that China Railways bribes local officials for assurances of security (unsuccessfully) and makes no effort to incorporate community development into the project.

17. (SBU) In a March 23 meeting with Econoff, Deputy Minister of Interior Mangal noted that Badghis province is a high-risk region for the Afghan National Police (ANP). Mangal reinforced the idea that China Railways should do more to provide community development in order to gain the local community's support for road projects. Mangal noted that community development has been successful in other places where insurgents have tried to disrupt infrastructure projects by intimidating local villagers. However, Chinese Economic Counselor Hu told Econoff that ultimately the GIROA must do more to ensure security in Badghis.

18. (SBU) Afghan government officials appear optimistic about Chinese commitments and are careful not to strongly criticize Chinese companies for poor workmanship. In a March 17 meeting with Econoff, Deputy Minister of Public Works Rasooli noted that security problems have crippled Chinese work in Badghis and at Kajaki. He acknowledged that China Railways progressed too slowly in the Badghis RR project, partly because the Ministry of Interior has not done enough to provide security. In a February 25 meeting, Afghan Telecom's FOC project manager Sanjeeva Saxena argued that the USAID contractor and subcontractors have inflated damage estimates to the RR and noted that the FOC contractor has only worked along about 240 km of RR in the south and not all of this is damaged.

19. (SBU) COMMENT: China's record in Afghan reconstruction is mixed, with security and logistical concerns, not unknown among other

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foreigners here, underlining performance problems. Chinese officials emphasize that China has generously donated to humanitarian causes in Afghanistan and that the Chinese government does not promote any one sector over another. However, most Chinese resources and commitments focus on natural resource extraction related to Chinese domestic industrial development and infrastructure projects related to that extraction or that primarily benefit Chinese commercial interests in Afghanistan. Chinese road and rail projects are situated near major supply routes and Chinese investments, and will ultimately facilitate the import of construction materials from China and exports of natural resources to China. At Aynak, it remains to be seen how much of the investment MCC will actually deliver (township development, power station, railway) and how vigorously they will pursue environmental protection (a condition of the project). The large number of Chinese laborers to be brought in suggests less Afghan job creation than would ideally be the case. Afghanistan, China and others in the international community have a shared interest in improving security conditions to enable Chinese reconstruction-related investment to proceed and ensuring that such investment achieves a balance between investor- and host-country interests. We remain optimistic that the Chinese will continue to support reconstruction as security, hopefully, improves, but we are wary that timelines for Kajaki and Aynak will be stretched if security remains a pressing concern. End Comment.

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